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# **Hawaii General Excise & Use Tax Exemptions**

**Tax Year 2017**

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**DEPARTMENT OF TAXATION  
STATE OF HAWAII**



## STATE OF HAWAII

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**STATE OF HAWAII**

**DECEMBER 2017**

**WEB SITE: [tax.hawaii.gov](http://tax.hawaii.gov)**



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## Introduction

This report presents exemptions claimed against the General Excise & Use Tax (GET). It is the first report of its kind to include data from the Tax Modernization System (TSM) project. Previous to 2017, the Department of Taxation ("the Department") did not have the capability to conduct a systematic analysis of GET exemptions claimed by taxpayers. Two important things occurred that allowed the Department to collect and process the data required for this report. First, progress on TSM project allowed the Department to collect, process, and organize more taxpayer information related to the GET, including information provided on the Schedule GE where exemption information is provided. Second, the Department adopted a reformatted version of the Schedule GE beginning January 2017 that facilitated the collection of information on exemptions and deductions. The TSM project is not yet complete, yet it is already producing information that allows the Department to create reports like this one that provide useful information regarding economic activity within the state of Hawaii.

Act 94, Session Laws of Hawaii 2015, requires the Department to publish and report on GET exemptions that (1) are tax expenditures at the wholesale rate: (2) are tax expenditures at the retail rate: and (3) may be foregone opportunities to export taxes. This report takes the following approach in meeting the requirements provided by Act 94. First, it identifies the exemptions that are claimed by taxpayers, breaking those exemptions down by tax rate and economic activity. It then provides cost estimates of the tax expenditures that are associated with the exemptions claimed. An explanation on the difference between tax exemptions and tax expenditures are provided later on in the report.

This report provides data for the first half of calendar year 2017. Department reports usually provide data for an entire tax year, but data limitations do not permit the release of a full year of data at this time. This is because the conditions necessary to produce this report only came about in January of 2017 (see above). As such, this report includes data for GET exemptions claimed during the filing period between January 1, 2017 and June, 30 2017. The data query used for this report was executed on August 15<sup>th</sup>, 2017. As such, the data released in the report should be interpreted with caution for the following reasons. First, the exemptions in the first half of the calendar year may not match those claimed in the second half of 2017. Second, not all Schedule GE forms during the filling period in the first half of 2017 had been processed by August 14<sup>th</sup>, 2017. The 2018 GET exemption report will include data from the entire 2017 calendar year.

Taxpayer reliance on hand-written forms provides additional challenges to the production of this report. Not all exemptions claimed by taxpayers during the report period can be examined in detail because some taxpayers submitted previous versions of Schedule GE (prior to the 2017 version) which cannot easily be classified by the automated system. Additionally, handwritten forms are prone to reporting errors which compromise the validity of the figures presented in this report. For this reason, only data submitted electronically are included in the body of the report. A table of all exemptions (electronic and paper filers) is included in the annex of the report. A discussion of how the Department adjusted for these errors is available in the in the Data Source section.

Finally, unlike other reports prepared by the Department, this report is not merely a presentation of data but relies on the determination and categorization of tax exemptions. These decisions are based on a set of debatable assumptions about what constitutes an ideal tax system and what constitutes a tax expenditure.



## Data Source

Data for this report are collected from the Department's GenTax system, Department's new system that is being rolled out as part of the TSM project. The data are from the Schedule GE which is required to be filed along with a taxpayer's periodic GET return (G-45). The period for which a taxpayer must submit a form varies. For instance, some taxpayers are required to submit a return every month while others are only required to submit one form per quarter. The Schedule GE reports the amounts and types of GET exemptions claimed.

The Department extracted 50,726 Schedule GE forms for this study. The items in this report are listed before any subsequent audit but after tax returns were checked for accuracy, identifying large differences between exemption amounts claimed on the forms G-45 and Schedule GE.

This report provides information on two different data sets. The first data set includes all Schedule GE forms submitted with a form G-45 for the filing period between January 1, 2017 and June 30, 2017 for a total of 50,726. These forms include those that were submitted electronically (e-filers) and hard copy (hand written forms delivered manually). The information produced in this report from the first data set can be found in tables A-3 and A-4 of the Annex. The second data set includes information submitted on Schedule GE forms with a form G-45 using the same filing period but it only includes returns filed electronically (e-filers) for a total of 30,741 returns. The body of this report only uses the data provided by the electronic filers (the second data set). This is because this data were less prone to reporting errors and the information is easier to manipulate. The results on GET expenditures utilize the second data set. Thus, the expenditure data do not utilize all information supplied on the Schedule GE but rather only the information that is supplied via electronic format. The reader should take this under consideration as they interpret the results of this report.

To preserve taxpayer confidentiality, the report does not provide the exact number of observations for a given category if there are ten observations or less.

## **GET Exemptions**

Hawaii taxpayers filing electronically claimed 36,643 exemptions for an amount of \$12 billion (see Table 1). The largest exemptions in terms of dollar amount for this data set were Foreign Trade Zone Sales, Non-profit Organizations, Subcontract Deduction, Out of State Sales and Drugs and Prosthetic Devices. The most commonly claimed exemptions were Out of State Sales, Taxes Passed On, Subcontract Deduction, Sales to Federal Government and Credit Unions, and Wholesale Transactions. A list of all exemptions claimed by paper and electronically is available in Table A-3 of the annex.

Table A-4 of the annex shows some of the differences between the data set for all filers and the data set with only electronic filers. The data set using only electronic filers has 37% fewer GET exemptions claimed but is only 10% less in terms of total dollar amount. Since data set of electronic filers does not include hand-written forms, this implies that hand-written forms comprised 37% of all filers and claimed \$1.4 billion worth of exemptions or 10% of total exemptions.

**Table 1****GET Exemptions Claimed by E-Fliers Only****From Schedule GE filed between Jan 1-June 30, 2017. Report ran on August 15,2017**

	Amount (\$ thousands)	# of claims	Of total amount (%)	Total # of claims (%)
Foreign Trade Zone Sales (§212-8)	2,920,857	313	24.2%	0.9%
Non-profit Organizations (§237-23)	2,550,313	1,161	21.2%	3.2%
Subcontract Deduction (§237-13(3)(B))	1,213,152	5,693	10.1%	15.5%
Out of State Sales (§237-29.5(1))	992,161	6,728	8.2%	18.4%
Drugs and Prosthetic Devices (§237-24.3(6))	722,245	736	6.0%	2.0%
Wholesale Transactions (Sales of tangible property imported for further resale at 1/2%) (§237-29.55)	621,293	1,895	5.2%	5.2%
Taxes Passed On (§§237-24(8), 237-24(9), 237-24(10), 237-24(12))	475,912	6,647	4.0%	18.1%
Affordable Housing (§§46-15.1, 201H-36 237-29, 238-3(j))	462,718	726	3.8%	2.0%
Sales to Federal Government and Credit Unions (§237-25(a))	273,532	2,491	2.3%	6.8%
Maintenance Fees (§§237-24.3(2), 237-24(16))	194,926	1,198	1.6%	3.3%
Enterprise Zones (§209E-11)	183,528	292	1.5%	0.8%
Federal Preempted Amount (§§237-22, 238-3(a))	167,968	278	1.4%	0.8%
Discounts and Returned Merchandise (§237-3(b))	165,345	1,263	1.4%	3.4%
Intercompany Charges (§237-23.5(a))	153,578	574	1.3%	1.6%
Service Related to Ship & Aircraft (§237-24.3(3))	102,265	118	0.8%	0.3%
Air Pollution Control Facilities (§§237-27.5, 238-3(k))	100,679	160	0.8%	0.4%
Food Stamps and WIC (§237-24.3(5))	83,599	1,251	0.7%	3.4%
Employee Benefit Plans (§237-24.3(4)).	76,625	143	0.6%	0.4%
Shipbuilding and Ship Repairs (§237-28.1).	75,764	193	0.6%	0.5%
Out of State Services to Foreign Customers (§238-2.3(1)(C))	71,544	799	0.6%	2.2%
Exported Services (§237-29.53)	62,030	566	0.5%	1.5%
Scientific Contracts (§§237-26, 238-3(j)).	60,006	311	0.5%	0.8%
Reimbursement of Payroll Costs (§237-24.7(9))	45,258	68	0.4%	0.2%
Subleases of Real Property (§237-16.5)	40,243	973	0.3%	2.7%
Hotel Operator/Suboperator (§237-24.7(1))	37,631	147	0.3%	0.4%
Federal Cost-Plus Contractors (§237-13(3)(C))	31,863	57	0.3%	0.2%
Aircraft Service and Maintenance Facility (§§237-24.9, 238-1)	24,191	76	0.2%	0.2%
Real Estate Sales (§237-3(b))	22,442	245	0.2%	0.7%
Aircraft Leasing (§§237-24.3(11), 238-1)	17,615	19	0.1%	0.1%
Bad Debts (§237-3(b))	15,352	672	0.1%	1.8%
Professional Employer Organizations (§237-24.75(3))	13,134	65	0.1%	0.2%
Certain Contracts Entered into Before 6/30/2006 (§237-8.6(c))	10,208	35	0.1%	0.1%
Hawaii Convention Center Operator (§237-24.75(2))	8,756	21	0.1%	0.1%
Wholesale Amusements (§237-4(a)(13))	7,901	90	0.1%	0.2%
Sales Tax Paid Offset (§§237-22(b), 238-3(i))	6,008	72	0.0%	0.2%
Contracting Activity in an Enterprise Zone (§209E-11)	5,885	40	0.0%	0.1%
Certain Convention, Conference and Trade Show (§237-16.8)	5,286	13	0.0%	0.0%
Merchants' Association Dues (§237-24.3(8))	3,991	21	0.0%	0.1%
Common Paymaster Exemption (§237-23.5(b))	3,940	32	0.0%	0.1%
S/H of Agricultural Commodities (§237-24.3(1))	3,935	32	0.0%	0.1%
TRICARE (§237-24(17))	3,537	103	0.0%	0.3%
Potable Water (§237-23(a)(7))	2,097	10 or less	0.0%	N/A

Producers (Certain property used) (§238-4)	1,678	24	0.0%	0.1%
Orchard Operator (§237-24.7(4))	1,435	18	0.0%	0.0%
Mass Transit (§237-24.7(2))	1,347	10 or less	0.0%	N/A
Labor Organizations (§237-24.3(9))	1,042	21	0.0%	0.1%
Petroleum Refining (§237-27)	947	27	0.0%	0.1%
Small Business Innovation Research Grants (§237-24.7(10))	886	13	0.0%	0.0%
Insurance Proceeds Because of Natural Disaster (§237-24.7(6))	620	10 or less	0.0%	N/A
Diplomats and Consular Officials (§§237-24.3(10), 238-1)	358	81	0.0%	0.2%
Disability Provisions (§237-24(13))	284	122	0.0%	0.3%
Patient-Centered Community Care (§237-24(18))	54	20	0.0%	0.1%
Stock Exchange Transactions (§237-24.5)	45	10 or less	0.0%	N/A
<b>Total</b>	<b>12,048,009</b>	<b>36,643</b>	<b>100%</b>	<b>100%</b>

## Tax Expenditures

The prior section of the report focused on total GET exemptions. A tax expenditure is not the same as a tax exemption. For purposes of this report, tax expenditures are revenues losses attributable to provisions in the State tax laws which allow a special exclusion, exemption, or deduction from the gross receipts tax. These exemptions (or tax breaks) that are deviations from a uniform tax on consumption of residents. Tax expenditures are the implied revenue cost of the deviation from a uniform application of the excise and use tax. These exceptions may be viewed as alternatives to other policy instruments, such as spending or regulatory programs.

This report presents GET exemptions that are tax expenditures at the wholesale rate (0.5%) and the retail rate (4.0%), and also presents tax exemptions that are not tax expenditures but may represent opportunities to export the tax burden. The methodology used in this paper for estimating tax expenditures came from the methodology put forth by Rousslang (2013).<sup>1</sup>

It is important to understand that the decision to label exemptions as tax expenditures at the wholesale or retail rate or not as tax expenditures at all is based on economic parameters and assumptions and is subject to debate. Thus, if the Department's assumptions change, then the distribution of exemptions among the categories may change.

In presenting data on tax exemptions, it is crucial that a clear distinction be made between tax expenditures and revenue estimates. The data presented in this report should not be relied on as an estimate of the amount of revenue that may be realized by repealing an exemption. The reason is that the data presented in this report provide only the amounts of each exemption claimed. Substitution and behavioral factors must be accounted for to properly estimate the revenue effect of repealing an exemption

Substitution means that if a certain exemption is repealed, a portion of the taxpayers that had been claiming the repealed exemption may be entitled to claim a different exemption for the same activity. As an example, take the enterprise zone exemption. It is possible that taxpayers engaged in business in enterprise zones are exporting the goods and services they sell. Thus, if the enterprise zone exemption were repealed, the taxpayer may instead claim the exported goods and services exemption. This would limit the revenue impact to some amount smaller than the amount claimed under the enterprise zone exemption.

Behavioral factors are the responses of taxpayers affected by the repeal of an exemption. If an exemption is repealed, some taxpayers may cease engaging in formerly exempted activity. In this case the repeal would not yield the full amount of the tax expenditure, because the gross income previously exempted would no longer be generated.

Additionally, tax expenditures are valued at the tax rate they should be taxed at to achieve the assumed ideal tax system. These assumptions may not agree with the actual tax rates that would apply if an exemption were repealed. For example, each exemption categorized as tax expenditure at the

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<sup>1</sup> Rousslang, Donald (2013). "Tax Expenditures in Paradise." *State Tax Notes*. May 13, 2013, pages 549-558.

wholesale rate may not qualify for the 0.5% rate under the wholesale rules of section 237-4, Hawaii Revised Statutes

The report finds that GET expenditures amounted to \$166.2 million in the first half of calendar year 2017 for only e-filers. Another \$69 million was forgone in exemptions that were meant to reduce tax pyramiding but may represent an opportunity to export the tax burden.

## Tax Expenditures at the wholesale rate (0.5%)

The tax expenditures reported in this section are those that exempt activity that would be taxed at the wholesale rate of GET. These are mostly business-to-business transactions. Labeling exemptions of business-to-business sales as tax expenditures at the 0.5% rate is based on the assumption that all business-to-business sales should be taxed equally.

The results of the analysis suggest that the cost of the tax expenditures that would be subject to the wholesale rate amount to \$13.1 million in the first half of the 2017 for electronic filers (see table 4).

**Table 4: Tax Expenditures at Wholesale Rate (0.5%) (\$ thousands)**

	Exemption Amount	Expenditure Amount*
Air Pollution Control Facilities (§§237-27.5, 238-3(k))	\$100,679	\$503
Aircraft Leasing (§§237-24.3(11), 238-1)	\$17,615	\$88
Aircraft Service and Maintenance Facility (§§237-24.9, 238-1)	\$24,191	\$121
Certain Convention, Conference and Trade Show (§237-16.8)	\$5,286	\$26
Common Paymaster Exemption (§237-23.5(b))	\$3,940	\$20
Contracting Activity in an Enterprise Zone (§209E-11)	\$5,885	\$29
Federal Cost-Plus Contractors (§237-13(3)(C))	\$31,863	\$159
Hawaii Convention Center Operator (§237-24.75(2))	\$8,756	\$44
Hotel Operator/Suboperator (§237-24.7(1))	\$37,631	\$188
Intercompany Charges (§237-23.5(a))	\$153,578	\$762
Maintenance Fees (§§237-24.3(2), 237-24(16))	\$194,926	\$975
Merchants' Association Dues (§237-24.3(8))	\$3,991	\$20
Orchard Operator (§237-24.7(4))	\$1,435	\$7
Patient-Centered Community Care (§237-24(18))	\$54	\$0
Petroleum Refining (§237-27)	\$947	\$5
Producers (Certain property used) (§238-4)	\$1,678	\$8
Service Related to Ship & Aircraft (§237-24.3(3))	\$102,265	\$511
Shipbuilding and Ship Repairs (§237-28.1)	\$75,764	\$379
Shipping and Handling of Agricultural Commodities (§237-24.3(1))	\$3,935	\$20
Subcontract Deduction (§237-13(3)(B))	\$1,213,152	\$6,065
TRICARE (§237-24(17))	\$3,537	\$18
Wholesale Amusements (§237-4(a)(13))	\$7,901	\$40
Wholesale (§237-29.55)	\$621,293	\$3,106
sub-total	\$2,620,302	\$13,095

\* Tax expenditure estimates are not revenue estimates

## Tax Expenditures at the retail rate (4.0%)

The tax expenditures reported in this section are those that exempt activity that would ideally be taxed at the retail rate of GET. Unlike tax expenditures at the wholesale rate, these are not business-to-business transactions but transactions between businesses and final consumers or the equivalent thereof.

The amount of the GET expenditures subject to the 4.0% retail rate was \$153 million in the first half of 2017 for electronic filers (see Table 5). The largest GET expenditures in dollar amounts are the exemptions for Non-profit Organizations, Drugs and Prosthetic Devices, and Affordable Housing.

**Table 5: Tax expenditures at Retail Rate (4.0%) (\$ thousands)**

	Exemption Amount	Expenditure Amount*
Affordable Housing (§§46-15.1, 201H-36 237-29, 238-3(j))	\$462,718	\$18,324
Disability Provisions (§237-24(13))	\$284	\$5
Drugs and Prosthetic Devices (§237-24.3(6))	\$722,245	\$28,779
Enterprise Zones (§209E-11)	\$183,528	\$1,657
Insurance Proceeds Received due Natural Disaster (§237-24.7(6))	\$620	\$25
Labor Organizations (§237-24.3(9))	\$1,042	\$42
Mass Transit (§237-24.7(2))	\$1,347	\$54
Non-profit Organizations (§237-23)	\$2,550,313	\$101,310
Potable Water (§237-23(a)(7))	\$2,097	\$84
Professional Employer Organizations (§237-24.75(3))	\$13,134	\$479
Scientific Contracts (§§237-26, 238-3(j)).	\$60,006	\$2,345
sub-total	\$3,997,334	\$153,104

\* Tax expenditure estimates are not revenue estimates



## Opportunities to Export Tax

The following exemptions do not qualify as tax expenditures but are GET exemptions that may represent a lost opportunity to export tax. These consist of exemptions of exports and of sales to the federal government. Exemption on exports is not a tax expenditure because it is provided to prevent pyramiding of tax rather than to encourage a certain industry.

The value of the Expenditures in the first half of 2017 for electronic filers is \$69 million (see Table 6).

<b>Table 6: Exemptions That May be Foregone Opportunities to Export taxes to Non-Residents</b>		
<b>(\$ thousands)</b>		
	<b>Exemption Amount</b>	<b>Expenditure Amount*</b>
Diplomats and Consular Officials (§§237-24.3(10), 238-1)	\$358	\$14
Exported Services (§237-29.53)	\$62,030	\$2,290
Foreign Trade Zone Sales (§212-8)	\$2,920,857	\$27,346
Out of State Sales (§237-29.5(1))	\$992,161	\$27,033
Out of State Services or Contracting to Foreign Customers (§238-2.3(1)(C))	\$71,544	\$2,287
Sales to Federal Government and Credit Unions (§237-25(a))	\$273,532	\$9,934
Sub-total	\$4,320,482	\$68,905

\* Tax expenditure estimates are not revenue estimates

## Other Exemptions not Tax Expenditures

The following exemptions would not be subjected to a sales, excise, or other form of consumption. This is because the GET is worded so broadly that, without explicit exemptions, it would apply to many sales that are not properly part of a broad-based tax on consumption. For example, the GET contains exemptions for wages of works, sales of stocks and bonds, bad debts, and sales of land in fee simple. These items are not traditionally included in the base of a sales or excise tax. In the case of food stamps, the federal government does not permit taxation of purchases made with food stamps.

<b>Table 7: Exemptions not Tax Expenditures or Opportunities for Tax Exporting (\$ thousands)</b>		
	<b>Exemption Amount</b>	<b>Expenditure Amount*</b>
Bad Debts (§237-3(b))	\$15,352	\$0
Certain Contracts Entered into Before 6/30/2006 (§237-8.6(c))	\$10,208	\$0
Discounts and Returned Merchandise (§237-3(b))	\$165,345	\$0
Employee Benefit Plans (§237-24.3(4)).	\$76,625	\$0
Federal Preempted Amount (§§237-22, 238-3(a))	\$167,968	\$0
Food Stamps and WIC (§237-24.3(5))	\$83,599	\$0
Real Estate Sales (§237-3(b))	\$22,442	\$0
Reimbursement of Payroll Costs (§237-24.7(9))	\$45,258	\$0
Sales Tax Paid Offset (§§237-22(b), 238-3(i))	\$6,008	\$0
Small Business Innovation Research Grants (§237-24.7(10))	\$886	\$0
Stock Exchange Transactions (§237-24.5)	\$45	\$0
Subleases of Real Property (§237-16.5)	\$40,243	\$0
Taxes Passed On (§§237-24(8), 237-24(9), 237-24(10), 237-24(12))	\$475,912	\$0
Sub-total	\$1,109,891	\$0

\* Tax expenditure estimates are not revenue estimates

## Annex

### A- 1: Exemptions Claimed by GET Rate (E-filers) (\$ thousands)

Retail (4.0%)	Exempted Amount
Affordable Housing (§§46-15.1, 201H-36 237-29)	457,453
Air Pollution Control Facilities (§§237-27.5, 238)	69,010
Aircraft Leasing (§§237-24.3(11), 238-1)	17,615
Aircraft Service and Maintenance Facility (§§237-24.9, 238-1)	23,883
Bad Debts (§237-3(b))	14,736
Certain Contracts Entered into Before 6/30/2006 (§237-8.6(c))	10,208
Certain Convention, Conference and Trade Show (§237-16.8)	5,286
Common Paymaster Exemption (§237-23.5(b))	3,457
Contracting Activity in an Enterprise Zone (§209E-11)	4,224
Diplomats and Consular Officials (§§237-24.3(10), 238-1)	350
Disability Provisions (§237-24(13))	104
Discounts and Returned Merchandise (§237-3(b))	87,781
Drugs and Prosthetic Devices (§237-24.3(6))	719,079
Employee Benefit Plans (§237-24.3(4)).	76,625
Enterprise Zones (§209E-11)	21,135
Exported Services (§237-29.53)	56,555
Federal Cost-Plus Contractors (§237-13(3)(C))	29,525
Federal Preempted Amount (§§237-22, 238-3(a))	140,363
Food Stamps and WIC (§237-24.3(5))	83,560
Foreign Trade Zone Sales (§212-8)	364,089
Hawaii Convention Center Operator (§237-24.75(2))	8,756
Hotel Operator/Suboperator (§237-24.7(1))	24,454
Insurance Proceeds Received Because of a Natural Disaster (§237-24.7(6))	620
Intercompany Charges (§237-23.5(a))	147,698
Labor Organizations (§237-24.3(9))	1,042
Maintenance Fees (§§237-24.3(2), 237-24(16))	193,825
Mass Transit (§237-24.7(2))	1,347
Merchants' Association Dues (§237-24.3(8))	3,991
Non-profit Organizations (§237-23)	2,530,242
Orchard Operator (§237-24.7(4))	1,435
Out of State Sales (§237-29.5(1))	630,646
Out of State Services or Contracting to Foreign Customers (§238-2.3(1)(C))	55,139
Patient-Centered Community Care (§237-24(18))	54
Petroleum Refining (§237-27)	930
Potable Water (§237-23(a)(7))	2,097
Producers (Certain property used) (§238-4)	56
Professional Employer Organizations (§237-24.75(3))	11,798
Real Estate Sales (§237-3(b))	22,440
Reimbursement of Payroll Costs (§237-24.7(9))	45,258

Sales Tax Paid Offset (§§237-22(b), 238-3(i))	3,692
Sales to Federal Government and Credit Unions (§237-25(a))	244,766
Scientific Contracts (§§237-26, 238-3(j)).	58,433
Service Related to Ship & Aircraft (§237-24.3(3))	83,504
Shipbuilding and Ship Repairs (§237-28.1).	67,695
Shipping and Handling of Agricultural Commodities (§237-24.3(1))	28
Small Business Innovation Research Grants (§237-24.7(10))	886
Stock Exchange Transactions (§237-24.5)	45
Subcontract Deduction (§237-13(3)(B))	1,212,581
Subleases of Real Property (§237-16.5)	39,895
Taxes Passed On (§§237-24(8), 237-24(9), 237-24(10), 237-24(12))	337,888
TRICARE (§237-24(17))	3,509
Wholesale Amusements (§237-4(a)(13))	6,879
Wholesale Transactions (Sales of tangible property imported for further resale at 1/2%) (§237-29.55)	202,224
sub-total	<b>8,128,890</b>
<b>Wholesale (0.5%)</b>	
Affordable Housing (§§46-15.1, 201H-36 237-29, 238-3(j))	5,264
Air Pollution Control Facilities (§§237-27.5, 238-3(k))	31,669
Aircraft Service and Maintenance Facility (§§237-24.9, 238-1)	308
Bad Debts (§237-3(b))	616
Common Paymaster Exemption (§237-23.5(b))	483
Contracting Activity in an Enterprise Zone (§209E-11)	1,660
Diplomats and Consular Officials (§§237-24.3(10), 238-1)	8
Disability Provisions (§237-24(13))	180
Discounts and Returned Merchandise (§237-3(b))	77,564
Drugs and Prosthetic Devices (§237-24.3(6))	3,166
Enterprise Zones (§209E-11)	162,393
Exported Services (§237-29.53)	5,475
Federal Cost-Plus Contractors (§237-13(3)(C))	2,338
Federal Preempted Amount (§§237-22, 238-3(a))	27,606
Food Stamps and WIC (§237-24.3(5))	40
Foreign Trade Zone Sales (§212-8)	2,556,454
Hotel Operator/Suboperator (§237-24.7(1))	13,178
Intercompany Charges (§237-23.5(a))	4,227
Maintenance Fees (§§237-24.3(2), 237-24(16))	1,100
Non-profit Organizations (§237-23)	20,071
Out of State Sales (§237-29.5(1))	361,505
Out of State Services or Contracting to Foreign Customers (§238-2.3(1)(C))	16,208
Petroleum Refining (§237-27)	17
Producers (Certain property used) (§238-4)	1,623
Professional Employer Organizations (§237-24.75(3))	1,336
Real Estate Sales (§237-3(b))	2

Sales Tax Paid Offset (§§237-22(b), 238-3(i))	2,316
Sales to Federal Government and Credit Unions (§237-25(a))	28,767
Scientific Contracts (§§237-26, 238-3(j)).	1,573
Service Related to Ship & Aircraft (§237-24.3(3))	18,761
Shipbuilding and Ship Repairs (§237-28.1).	8,069
Shipping and Handling of Agricultural Commodities (§237-24.3(1))	3,907
Subcontract Deduction (§237-13(3)(B))	377
Subleases of Real Property (§237-16.5)	348
Taxes Passed On (§§237-24(8), 237-24(9), 237- 24(10), 237-24(12))	138,024
TRICARE (§237-24(17))	28
Wholesale Amusements (§237-4(a)(13))	1,022
Wholesale Transactions (Sales of tangible property imported for further resale at 1/2%) (§237-29.55)	419,069
<b>sub-total</b>	<b>3,916,754</b>
<b>Insurance</b>	
Foreign Trade Zone Sales (§212-8)	314
Intercompany Charges (§237-23.5(a))	1,653
Out of State Sales (§237-29.5(1))	10
Out of State Services or Contracting to Foreign Customers (§238-2.3(1)(C))	196
Subcontract Deduction (§237-13(3)(B))	194
<b>subtotal</b>	<b>2,367</b>
 <b>Grand Total</b>	 <b>12,048,009</b>

<b>A- 2: Exemptions by Business Activity</b>	<b>Exemption Amount (\$ thousands)</b>
<b><u>Wholesale Rate (0.5%)</u></b>	
Wholesaling	3,579,448
Manufacturing	115,159
Producing	33,671
Wholesale Services	56,504
Landed Value of Imports For Resale	131,603
Business Activities of Disabled Persons	368
<b><u>Retail Rate (4.0%)</u></b>	
Retailing	2,058,076
Services Including Professional	2,103,780
Contracting	1,562,118
Theater, Amusement and Broadcasting	10,823
Commissions	42,939
Transient Accommodations Rentals	80,213
Other Rentals	371,602
Interest and All Others	1,816,280
Landed Value of Imports For Consumption	83,058
<b><u>Insurance (0.15%)</u></b>	
Insurance Commissions	2,367
<b>Total</b>	<b>12,048,009</b>

### A-3: GET Exemptions Claimed (All Filers)

From Schedule GE filed between Jan 1-June 30, 2017. Report ran on August 15,2017

	Amount (\$ thousands)	# of claims	Of total amount (%)	Total # of claims (%)
Foreign Trade Zone Sales (§212-8)	2,932,100	374	21.9%	0.6%
Non-profit Organizations (§237-23)	2,593,488	1,343	19.3%	2.3%
Subcontract Deduction (§237-13(3)(B))	1,424,111	6,415	10.6%	10.8%
Out of State Sales (§237-29.5(1))	1,169,563	8,732	8.7%	14.6%
Drugs and Prosthetic Devices (§237-24.3(6))	755,413	885	5.6%	1.5%
Wholesale Transactions (§237-29.55)	744,138	2,390	5.6%	4.0%
Taxes Passed On (§§237-24(8), 237-24(9), 237-24(10), 237-24(12))	582,689	19,819	4.3%	33.2%
Affordable Housing (§§46-15.1, 201H-36 237-29, 238-3(j))	503,883	939	3.8%	1.6%
Maintenance Fees (§§237-24.3(2), 237-24(16))	381,208	2,158	2.8%	3.6%
Sales to Federal Government and Credit Unions (§237-25(a))	320,318	3,153	2.4%	5.3%
Enterprise Zones (§209E-11)	197,063	332	1.5%	0.6%
Discounts and Returned Merchandise (§237-3(b))	190,972	1,521	1.4%	2.6%
Federal Preempted Amount (§§237-22, 238-3(a))	172,469	343	1.3%	0.6%
Service Related to Ship & Aircraft (§237-24.3(3))	170,923	139	1.3%	0.2%
Intercompany Charges (§237-23.5(a))	161,687	678	1.2%	1.1%
Food Stamps and WIC (§237-24.3(5))	118,632	1,691	0.9%	2.8%
Employee Benefit Plans (§237-24.3(4)).	107,817	151	0.8%	0.3%
Air Pollution Control Facilities (§§237-27.5, 238-3(k))	103,373	190	0.8%	0.3%
Out of State Services/ Contracting to Foreign Cust. (§238-2.3(1)(C))	89,217	944	0.7%	1.6%
Exported Services (§237-29.53)	85,191	689	0.6%	1.2%
Shipbuilding and Ship Repairs (§237-28.1).	76,846	208	0.6%	0.3%
Subleases of Real Property (§237-16.5)	68,028	1,747	0.5%	2.9%
Scientific Contracts (§§237-26, 238-3(j)).	61,983	338	0.5%	0.6%
Mislabeled/unspecified	49,516	465	0.4%	0.8%
Reimbursement of Payroll Costs (§237-24.7(9))	46,490	111	0.3%	0.2%
Hotel Operator/Suboperator (§237-24.7(1))	39,018	163	0.3%	0.3%
Certain Contracts Entered into Before 6/30/2006 (§237-8.6(c))	37,345	68	0.3%	0.1%
Real Estate Sales (§237-3(b))	31,931	341	0.2%	0.6%
Federal Cost-Plus Contractors (§237-13(3)(C))	31,894	64	0.2%	0.1%
Aircraft Service and Maintenance Facility (§§237-24.9, 238-1)	24,334	82	0.2%	0.1%
Bad Debts (§237-3(b))	22,258	774	0.2%	1.3%
Professional Employer Organizations (§237-24.75(3))	19,708	88	0.1%	0.1%
Aircraft Leasing (§§237-24.3(11), 238-1)	17,615	19	0.1%	0.0%
Labor Organizations (§237-24.3(9))	10,356	33	0.1%	0.1%
Hawaii Convention Center Operator (§237-24.75(2))	8,757	22	0.1%	0.0%
Wholesale Amusements (§237-4(a)(13))	8,169	119	0.1%	0.2%
Contracting Activity in an Enterprise Zone (§209E-11)	7,757	74	0.1%	0.1%
Sales Tax Paid Offset (§§237-22(b), 238-3(i))	6,034	78	0.0%	0.1%
Certain Convention, Conference and Trade Show (§237-16.8)	5,687	15	0.0%	0.0%
Merchants' Association Dues (§237-24.3(8))	4,181	25	0.0%	0.0%
Common Paymaster Exemption (§237-23.5(b))	4,165	39	0.0%	0.1%
Shipping/Handling of Agricultural Commodities (§237-24.3(1))	3,939	38	0.0%	0.1%
TRICARE (§237-24(17))	3,733	139	0.0%	0.2%
Producers (Certain property used) (§238-4)	2,365	10 or less	0.0%	N/A

Potable Water (§237-23(a)(7))	2,103	31	0.0%	0.1%
Orchard Operator (§237-24.7(4))	1,793	10 or less	0.0%	N/A
Mass Transit (§237-24.7(2))	1,348	10 or less	0.0%	N/A
Insurance Proceeds Received BC of a Natural Disaster (§237-24.7(6))	1,097	30	0.0%	0.1%
Petroleum Refining (§237-27)	960	14	0.0%	0.0%
Small Business Innovation Research Grants (§237-24.7(10))	898	294	0.0%	0.5%
Disability Provisions (§237-24(13))	700	111	0.0%	0.2%
Diplomats and Consular Officials (§§237-24.3(10), 238-1)	483	10 or less	0.0%	N/A
Sugar Cane Payments to Independent Producers (§237-24(14))	445	22	0.0%	0.0%
Patient-Centered Community Care (§237-24(18))	58	11	0.0%	0.0%
Stock Exchange Transactions (§237-24.5)	51	10 or less	0.0%	N/A
<b>Total</b>	<b>\$ 13,406,299</b>	<b>59,647</b>	<b>100%</b>	<b>100.0%</b>

#### A-4: Difference of Exemptions for All Filers and Electronic Filers

	All Filers	Electronic Filers	Paper Filers	
			Difference	%
Amount Claimed (\$ thousands)	13,406,299	12,048,009	1,358,290	10%
Number of Claims	58,509.00	36,669	21,840	37%